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## Corporate actors: Definition, genesis, and interaction

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**Corporate Actors:  
Definition, Genesis, and Interaction**

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**90/11**

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## Abstract

This paper focuses on the genesis of corporate actors - an upward transfer of decision-making rights and control functions within member-created organizations. It argues that the formation of oligarchies and oligarchic corporatization - as envisaged by Robert Michels - are both far more problematic than it is usually assumed, while member-activated corporatization is an often encountered phenomenon, which, however, does not exhaust all the possible routes to corporatization. Among those the paper singles out corporatization achieved through cross-system coalitions for closer inspection. The final section shows how different corporate structures, once in place, shape intercorporate interactions and thwart organizational goal-realization, thus spurring on further corporatization.

\* \* \* \* \*

Dieses Diskussionspapier betrachtet die Entstehung korporativer Akteure im Sinne des Transfers von Entscheidungs- und Kontrollfunktionen innerhalb von Mitgliederorganisationen. Es argumentiert, daß die Bildung von Oligarchien und oligarchischer Korporatisierung - wie von Robert Michels postuliert - weit problematischer sind als generell angenommen. Dagegen ist Mitglieder-aktivierte Korporatisierung ein häufig zu beobachtendes Phänomen, wiewgleich damit nicht alle möglichen Wege der Korporatisierung ausgeschöpft sind. Von diesen konzentriert sich das Papier auf Korporatisierung durch intersystemische Koalitionen. Im letzten Teil wird gezeigt, wie unterschiedliche korporative Strukturen interkorporative Interaktionen strukturieren und organisatorische Zielverwirklichung vereiteln, was schließlich weitere Korporatisierung provoziert.

Contents\*

Abstract	2
Introduction	5
1. Present-day Definitions of the Corporate Actor Concept	7
1.1 Empirical Substantiation of and Further Reflections on the Polar Factors Constituting Corporate Actors	12
1.2 Complete Corporate Actors	12
1.3 Incomplete Memberless Corporate Actors	13
1.4 Incomplete Constitutionless Corporate Actors	17
2. The Emergence of Corporate Actors	20
3. Some Routes to Corporatization	32
3.1 Some Reasons and Preconditions for "Bottom-Up" and "Lateral" Corporatization	37
4. Corporate Capacity to Act and Corporate Power	41
4.1 Corporate Structure and Capacity to Act	41
4.2 Corporate Interactions and Corporate Power	44
5. Conclusion	46
Bibliography	49

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## Introduction

This paper is concerned with the genesis of corporate actors. Its central focus is on the preconditions of a successful corporatization process - an upward transfer of decision-making rights and control functions within member-created organizations - making for the emergence of a corporate actor. It is their capacity to transform themselves from a "mere" set of formal organizational rules into corporate actors, endowed with a capacity to act and acting independently from the intentions and interests of their creators<sup>1</sup> that constitutes a source of recurring scholarly fascination (Bovens 1990; Carney 1987; Coleman 1974; Hood 1986; Kenis/ Schneider 1987; Mayntz 1986; Perrow 1989; Schneider/ Werle 1990; Teubner 1987). For the crux of the matter is not so much who establishes a corporation or that it is established,<sup>2</sup> but that it at some point becomes an autonomous actor which defies the intentions of its creator(s).

The processes which lead to a successful corporatization and, by the same token, to the emergence of an autonomous corporate actor, are still rather feebly understood. For long scholars took organizational genesis for granted.<sup>3</sup> Recent scholarship, in contrast, tries to under-

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<sup>1</sup> Another key concern in studies of corporations is with their ability not only to supply new and more benefits, but also to impose costs of their activities on the third parties, while avoiding taking responsibility for the consequences of their actions and for what they define as "externalities."

<sup>2</sup> Corporations, understood as a very special type of formal organization, can be created by a private owner, a government mandate or a member-based collectivity. The act of formal creation of a corporation, embodied in a legal contract, is interesting insofar as it clarifies for what purposes such a corporation was created and to what extent, if any, the creating principals intended to control the managing agents and the organization they established. It is a backdrop, as it were, against which the subsequent deviations from the original intentions of the founder(s) can be studied.

<sup>3</sup> Weber-inspired organizational sociology does not focus on the origins but rather on the characteristics and the interrelations among the characteristics of complex organizations (Meyer 1978: 12-13). Parsons-, Luhmann- and Buckley-inspired organizational soci-

stand even this aspect of organizational dynamics, but does so in terms of economic or organizational rationality.<sup>4</sup> It treats organizations as cognitive and strategic systems. It is mute on the theme of organizations as complex actors who through their interactions create, destroy, and block the emergence of corporate actors within their own as well as other organizations. Since this paper adopts the actor-structure perspective, which treats organizations as complex actors, it is methodologically more compatible with the Michels-inspired studies than with the core of organizational theory in sociology which explains organizational genesis and transformation in terms of overall system needs, interorganizational adaptation, or organizational rationality. But, in substantive terms, this paper and the Michels-inspired studies are incompatible. In these studies of member-created corporations, the Michels' thesis has been part of taken-for-granted wisdom (Coleman 1974; Schneider/ Werle 1990). They work with the twin-assumptions that the presence of an oligarchy or of vested bureaucratic interests explains deviations of organizational purposes from those originally intended by their creators. It is against this assumption that the main part of this paper, which takes departure from the Michels' thesis, turns.

Corporate actors will here be defined as those organized actors which participate directly in (policy-oriented) decision-making, are formal organizations, have a real constitution and a real membership, purport to represent the interests of their membership, but often have been challenged for misrepresenting these interests by both internal and external critics, and, therefore, can be said to also pursue autonomous, member-independent interests. Their decisions result in the establishment, maintenance and transformation of rule regimes. The

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ology assumes that system or environment needs not only help to structure organizations but also account for the organizational genesis (Wohler 1978). The March and Simon classic on organizational decision-making, finally, starts with considering the significance not the genesis of organizations (March/ Simon 1958).

<sup>4</sup> Recent studies of the dynamics of organizational populations (the population ecology and the transaction cost approach) explain organizational restructuring but do so in organizational or economic terms (Meyer 1978: 13-14).

first part of this paper presents the four polar factors constitutive of corporate actor phenomenon -formal constitution, membership, interest-representation and -generation, and rule regime making, but it also provides reasons for why these definitional requirements should be relaxed to include even such actors which only possess an informal constitution or a "presumed" membership.

### 1. Present-day Definitions of the Corporate Actor Concept

Before the major argument is presented, it is necessary to answer the question what or who is a corporate actor, not the least because those who so far have used and advanced this concept do not provide a clear definition. Although no single definition is in fact possible - how definitions are slanted depends to a great extent on the research needs in question - what is possible, however, is a specification of a number of criteria which help to distinguish corporate actors from noncorporate actors. These criteria, I would argue, are constitutive in a sense that they reflect the real-life polar factors determining the phenomenon corporate actor. These constitutive criteria or polar factors allow to establish a field which captures the spectrum of varied organizational forms which, as I will argue, can be treated legitimately as corporate actors. In reviewing some current corporate actor definitions, I simultaneously clear the ground for setting these criteria up.

In what follows I present three different definitions of corporate actor. These definitions all have their legitimate basis in J.S. Coleman's *Power and Structure of Society* (Coleman 1974) which amounts to saying that Coleman's original definition is sufficiently multilayered as to leave much room for subsequent variations in interpretative stresses.

The broadest definition of corporate actor equates it with all formal organizations (Scott 1981). By this definition state bureaucracies, industrial firms, service agencies, professional organizations, political clubs, mass organizations, but even a mail order house and your



friendly neighborhood bakery become a study object. As juristic persons, they possess both rights and resources, and pursue "corporate" interests which cannot be equated with aggregated member interests. Moreover, "they can take actions, utilize resources, enter into contracts, and own property" (Scott 1981: 6, 137, 313, 315). This definition is not sufficiently discriminating. If accepted, it would leave us helplessly confronted with the task of analyzing the entire "organized society," which, given the high organizational density in the West, would amount to studying almost the entire society.

A more focused definition of corporate actor equates it with formal organizations that participate in decision-making (Mayntz 1986: 18-22). This definition of corporate actors stresses the constitutional element which "defines their legitimate domain, potential membership, and operational rules ..." (Mayntz 1986: 19). Even though this definition is more focused, it still is problematic,<sup>5</sup> since it puts mass organizations and government bureaucracies on an equal footing, although they differ in their structure and internal dynamics. For example, by this definition Central Banks, state ministries and even advisory expert commissions established by a government mandate or appointment and not supposed to carry out "representative functions" become corporate actors although they derive neither their authority nor their resources from a membership the way mass organizations, such as trade unions or political parties, do. The second, equally important and problematic, implication of this definition is that it would exclude from among corporate actors those actors who either participate in decision-making and/or occupy space in a policy system, but lack a formal organization or a constitution. These types of actors - lobbies or social movements, for example - would fall beyond the cut-off point of a spectrum of organizations that could also be considered corporate actors.

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<sup>5</sup> This definition, although not so intended, seems to emphasize policy-oriented decision-making and policy networks. Such an emphasis would not be sufficiently discriminating as it would imply corporate actor settings encompassing even the fragmented *issue* networks which often include hundreds of policy-participants among focal policy systems (Jordan 1981: 106).

A differently slanted, although still policy-focused, definition of corporate actor stresses the tense internal relationship between the corporate actor and its individual members arising in connection with its chartered task of collective "interest-representation" (Schneider/ Werle 1990). The task of collective "interest-representation" is indeed a very frequent reason for creating corporate actors. However, and this is exactly what this article problematizes, once individual actors create a corporate actor - vest authority and resources in it and entrust it with the right to represent them, to act and negotiate in their name - this actor usurps new competences, mobilizes new resources and engages in new fields of activity in pursuit of its own interest in survival and power. In pursuing its self-interest, a corporate actor "ignores the interests of certain members or even acts against these interests," but also plays an active role in identifying and formulating new "corporate" interests which cannot be attributed or reduced to those of the membership (Schneider/ Werle 1990: 78-82). Indeed, in this definition the most important characteristic of a corporate actor is that it is an autonomous generator of interests. It makes the tension between corporate actor and its founding members of paramount concern and, by the same token, poses both member and corporate interests as focal. Given this focus, it is possible to include even social movements, often lacking a formal constitution, but nevertheless interested in power, contributing to decision-making and subject to tension between the represented and member interests, among corporate actors. What is problematic with this definition, however, is the assumption that the corporate interest is the driving power behind the usurpation of power by a corporate actor. As I show in section 2, reality is more multifaceted than it is here proposed: a corporate actor may indeed engage in power usurpation strategies, but it may so do on internal or external demand.

A fourth constitutive component can be derived from Schneider and Werle, but also Burns and Flam, although their focus is not on corporate actors (Burns/ Flam 1987; see also Aldrich 1979: 69 and Carney 1987: 344). This component is rule regime making and rule regime transformation which constitute typical corporate actor activities (see section 1.2). These regimes define and protect domain boundaries, assumptions, and identities and designate actors and rules

operating in a domain.<sup>6</sup> Moreover, they set up distributional and interactional rules which rank-order domain-actors and induce them to interest- and sub-identity-based coalition-formation, acting for and against the stabilization of these rules.<sup>7</sup> In fact, corporate power and rule regimes are intrinsically connected and dependent on each other. A corporate actor set signifies, stands for, backs and is backed by a certain rule regime. Changes in this set signal that a rule regime transformation is underway and vice versa.<sup>8</sup>

In sum, it takes a formal constitution, real membership, interest (mis)-representation, member-independent interest generation, and rule regime making to constitute a corporate actor defined. But, what has been said so far has been meant to instill doubt as to whether a corporate actor should necessarily have both a constitution and a membership or just be a formal organization participating in decision-making policy networks. To phrase this more succinctly the question is if a corporate actor concept should be very narrow or very broad - an umbrella concept, in fact. Should it refer only to corporate actors who emerge from below, on the initiative of members to help them achieve goals they could not otherwise realize and provide them with benefits they could not otherwise accrue? In this case, only member-

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<sup>6</sup> Even noncorporate actors are involved in interest representation, interest identification, goal setting, means-allocation, organizational design, various types of interactions as well as in the planning and executing of strategic moves. However, only in the case of corporate actors both interest-and strategy-related activities are oriented towards the acquisition and maintenance of (political) power and have the purpose of setting up, maintaining or transforming rule regimes.

<sup>7</sup> This criterion directs our attention to neo-corporatist bargaining structures, iron triangles and nuclei of policy communities, and facilitates the analysis of both power distribution in and exclusion rules by which corporate actors structure access within and to different (policy-oriented) decision-making systems (Jordan 1981: 107-108).

<sup>8</sup> Those corporate actors which participate in policy-making have a chance of securing a formal-legal not only a normative-regulative status for the rule regimes backing their power. Therefore, they are also best placed to defend their power positions.

created organizations which seek political power and contribute to policy-making would be the "true" corporate actors. Or should the concept refer to these member-created organizations, but also to those corporate actors who emerge from above, created by a rule of law or by virtue of possessed and vested economic resources, and meant primarily to assist the creator in the task of controlling others? In such a case, the concept would cover not only member-organizations, but also government institutions and private corporations which seek political power and contribute to rule-regime-creating policy-making.

Faced with these two alternative corporate actor concepts, I have opted for the argument that the second conceptual strategy is more promising, although not unproblematic. Consequently, in the next section, using empirical examples, I will argue that neither a constitution, as a legal contract or document, nor a real membership should be considered as necessary constitutive elements. What is required instead - even of formal organizations participating in a decision-making process by a government appointment or mandate - is that they act *as if* they had a real membership and, therefore, attempt to carry out representative functions, again, *as if* they had a formal mandate from its membership to do so. What is also required is that these representational functions are carried out in such a way that it is possible to attribute a degree of autonomy to a corporate actor - to identify interests, but also actions, which it generates independently and which cannot be reduced to those of the (constitution-formulating) membership: a corporate actor should have as the primary reference point either its real or presumed membership, and engage in such activities as (own) interest identification in addition to interest representation. When these definitional requirements are met, even representatives of movements with no formal constitution and of government bureaucracies with no "real" membership can be seen as corporate actors when they participate in decision-making.

### 1.1 Empirical Substantiation of and Further Reflections on the Polar Factors Constituting Corporate Actors

In this section I ask, after briefly referring to neo-corporatist structures, if the criteria proposed above for identifying corporate actors pass a reality-fit test. For this purpose I use two controversial cases. The examples are chosen in such a way as to consider again the 2 polar factors constituting a corporate actor and yet found to be problematic: constitution and membership.

### 1.2 Complete Corporate Actors

By the definition advanced in this paper the key actors participating in neo-corporatist bargaining structures - employee and employer organizations - could be treated as "complete" corporate actors: they participate directly in this policy-oriented decision-making, are formal organizations, have a real constitution and a real membership, purport to represent the interests of their membership, and often have been challenged for misrepresenting these interests by both internal and external critics. Their decisions result in the establishment, maintenance and transformation of rule regimes concerning income- and/or price-setting, and sometimes even social welfare measures. Some of these regimes acquire (and lose) a legal status - such as, for example, Belgian wage and salary indexation. Whether or not legalized, these regimes derive their operative power from the informal agreement reached by the organizations involved in the decision-making. Thus, it can be said that neo-corporatist bargaining structures involve corporate actors to the extent to which they involve formal organizations, each with their constitution, legitimate domain, vested resources, and membership, into policy-oriented decision-making which results in the establishment and transformation of (sometimes or partly legalized) rule regimes.

The well-grounded observation that "new actors may join while others drop out, peripheral and core actors can change places, communication exchange is intensified or discontinued as coalitions emerge and are transformed" applies also to the neo-corporatist structures, and

results in rule regime transformations (Mayntz 1986: 20). Such was the case in Sweden between 1966 and 1973 when public sector employees and private sector white-collar unions, until then peripheral actors, made a bid for a status of core actors, formed new coalitions, and established new decision-making arenas, thereby contributing to the re-assertion of wage-differentials and rules regulating those differentials in collective bargaining, but also to increased strike activity and inflation (Olsson/ Burns 1987: 202-205). Such was also the case in Holland in the 1970s when the trade union members prevailed upon their leaders to drop out from central-level negotiations, thereby contributing to the greater salience of meso-level negotiations between unions, employers and government representatives and to the establishment of regional wage rule regimes (Wassenberg 1982: 96-103). These facts are well-known and in no need of further elaboration. They do not question, only corroborate, the definition proposed here.

### 1.3 Incomplete Memberless Corporate Actors

However, the issue can be raised if government institutions, participating in policy-making, should be treated as corporate actors? I would like to suggest that they should be only so treated when they have real or presumed specific membership as their point of reference but in addition pursue "corporate" interests which cannot be reduced to those of the membership. As I argue next, focusing on Central Banks - but the same argument could be made about different government departments -, the Central Banks of Sweden, and Austria do not have, while those of Belgium, Holland and England do have such a frame of reference. The latter also pursue "corporate", non-reducible interests. Consequently, only the latter should be treated as (complete) corporate actors in the full meaning of the concept as it has been defined here.<sup>9</sup>

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<sup>9</sup> Alternatively, those corporate actors which fulfil only part of the conceptual requirements could be treated as corporate actors *manque*. This would apply to those which engage little in the identification, but much in the representation of interests or engage much

Let me formulate up-front my thesis: although a central bank does not constitute a "complete" corporate actor in a sense that it lacks an explicit membership, when it is formally or in practice independent from central government, it nevertheless behaves *as if* it had a membership - it attempts to represent the economic interests of the financial community (and the multinationals) of its own country. For example, this is the case with the central banks of England and Holland which behave *as if* they were formally supposed to represent the interests of their respective financial communities and *as if* these communities had formally vested authority and resources in them. These central banks actually even have regular contacts with their "membership", and through these contacts attempt to monitor and identify the interests of this "membership," but have also been known to go against these interests (Kurzer 1987: 27; Flam 1986). In contrast, the central banks of Austria and Sweden are prevented from such a specific member-interest representation not only by their charters which call on them to coordinate their policy with the government's economic policy but also because the rules for appointment, withdrawal, and accountability of bank managers and/or supervisors subordinate them to, respectively, social partners and parliament. Moreover, even if they had not had such charters, it would be difficult for them to undertake such a specific member-interest representation because of the absence of a distinct financial community - a "presumed" membership - in their respective countries. Thus, since they lack both autonomy and even a presumed membership, they should not be considered (complete) corporate actors.<sup>10</sup>

Different government departments could be distinguished as to their type of "corporatedness" (or degree of completeness) relying on the definitional criteria used here. For example, in most Western countries the Departments of Defense and of Agriculture seem to engage only

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in the identification but little in the representation of interests.

<sup>10</sup> One can put the matter differently by turning the tables around. Swedish and Austrian principals (parliament respectively social partners) should have no problems controlling their agents (central banks) because these have no distinct clientele which could attempt to influence their interests.

in the representation of interests of groups for whose interests they are responsible. To outside observers at least, their interests seem to be reduced to those of their clientele - farmers and the military. The reason for this could be that this clientele is (relatively speaking) rather homogeneous. On the other hand, the Foreign Affairs Departments seem the most independent from interests and the most able to formulate goals unrelated to those interests. In the area of foreign *economic* policy, this could have to do with the (relatively speaking) great number of heterogeneous and contradictory interests at stake. It could very well be that the very multiplicity and the very frequent shifting of interests involved (which makes neither coalition-formation nor redistributive politics possible and which makes regulative politics very difficult to conduct) that creates the optimal conditions for the near-independent corporate interest identification (Lowi 1963). In the area of international *politics*, it is not only the multiplicity of interests but also the rule of secrecy which to a considerable extent protects the Department of Foreign Affairs from undesired home-based interventions by concerned interests.

It is also worth mentioning that a given government department may emphasize different aspects of its corporatedness depending on the arena in which it participates. Some arenas may call for and facilitate interest representation, while others favor autonomous corporate interest generation. For example, at home a department minister may be called on to formulate departmental (cum corporate) interests in an innovative way to achieve an interministerial interest-accommodation and to solve pressing national problems. He may, however, find it hard to respond to such a request and instead emphasize "represented" interests since his insistence on defending the "represented" interests helps him to guard his personal and departmental stake in a (greater) share of the state budget for which he competes with his colleagues. However, in an international forum, such as the EC, he is free to represent the concerned national interests in his area of departmental responsibility. This applies also to member-created corporate actors which can play down their representational functions in some decision-making settings but not in others. For example, in parliament representatives of political parties are supposed to engage in interest-representation, but in the insulated parliamentary commis-



sions they can engage in new interest generation (and interest-intermediation and conflict-resolution<sup>11</sup>) because these are protected from the scrutiny of both the public and the member eye by the secrecy rule or its equivalent.

It should also be noted that issue-salience and issue-intensity affect which aspect of their constitution corporate actors such as government departments have to emphasize or de-emphasize. Since issues go through their cycles, this means that time plays an important role in affecting which corporate role - (corporate) interest generation or interest representation - is more heavily emphasized. For example, until the 1970s emergence of the anti-nuclear movements, governments and governmental departments (industry, energy or environmental) responsible for the development and organization of the nuclear energy sector could emphasize interest generation and interest intermediation within the narrow confines of the sector. However, once the anti-nuclear movement became involved in the contestation of the nuclear energy policy, the same departments and governments were under heavy pressure to respond. They at least purported to take on the representation of this emergent anti-nuclear interest at some stage of the conflict between the nuclear industry and the movement (Kitschelt 1982; Nelkin/ Pollak 1977; OECD 1979; Flam 1991, forthcoming). This suggests that when issues are salient and intensely felt, it may be difficult for corporate actors involved in their handling to insulate themselves from the interests that demand representation, and, therefore, to engage in interest generation (and problem-solving) even in insulated arenas sheltered by secrecy. In fact, what typically happens is that these insulated and sheltered arenas are supplemented by relatively accessible and open arenas at least for some time during the ongoing conflict (OECD 1979).

This is then to say that some government bureaucracies (and even member-created corporate actors) may be very stable and others very unstable in what aspects of their corporate constitution they empha-

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<sup>11</sup> Swiss grand coalition government calls on party representatives to forsake party interests in this arena and to engage full-heartedly in conflict-solution.

size. At the one extreme, we can imagine departments dealing only with publicly non-salient issues, always in secrecy-guarded arenas, and almost completely insulated from the interest groups. These would be corporate actors which are free to identify and articulate only corporate interests. At the other extreme, we can imagine departments dealing only with salient issues, always in unguarded arenas and under the pressure of a single interest group. These would be corporate actors which cannot but represent interests. These two types of government departments would always remain incomplete corporate actors. In between these two extremes are government departments which display a great variability in emphases depending on the number of interests they are to represent, the type of arena in which they happen to act, and the time when they act. The very nature of their "incompleteness" would change as dictated by contingency.

#### 1.4 Incomplete Constitutionless Corporate Actors

Let me now consider a case of another potential corporate actor, one which lacks not a membership but a formal constitution - a social movement. Recent research on, for example, energy forecasting and anti-nuclear oppositional movements shows that social movement experts as well as nonexpert movement representatives often manage to assume a place in a decision-making policy network - initiate policy process through media-amplified issue-formulation, gain research funds either from their own members or other sources, produce independent research reports, and attempt to engage other policy-makers in a multilogue (Burns/ Flam 1987; Flam 1991, forthcoming). Not as a rule, but often enough, they gain various degrees of influence over the decision-making process and contribute to policy-oriented rule regime transformation, whether in the form of a completely new set of rules (policy reorientation) or of the activation of rules until then neglected and considered unimportant (Preglau in Flam 1991, forthcoming).

I would like to suggest that a movement in order to qualify as a corporate actor should, according to the definition proposed here, be

interested in the pursuit of and possess power, and, by the same token, contribute to rule regime making and transformation. It should not suffice to formulate issues, gain entry and win a formal membership status within a policy network or in a decision-making setting to be labelled a (strong) corporate actor (de Man 1987; Rucht/ Rüdiger/ van der Heijden/ Flam in Flam 1991, forthcoming).

If this argument is accepted, then we can limit our attention to such movements or parts of the movements which are interested in power, actively participate in (policy-oriented) decision-making and contribute to rule regime establishment, maintenance, and transformation, and ask explicitly whether those without a formal constitution should be excluded. One argument against such an exclusion follows Coleman. Since the creation of corporate actors is to be understood as a solution of a collective action problem - it is a device meant to foreclose the exit and to set up the loyalty option - constitutionless social movements can be treated as corporate actors to the extent to which they exhibit structures and relations similar to those characteristic of already incorporated social movements or of formal organizations. They can be said to possess informal constitutions to the extent to which they articulate a set of expectations and/or criticisms regarding the division of labor and authority between the movement representatives (including experts) and the membership. These expectations and criticisms can be used as an analytical point of departure, just like a formal constitution would be in an equivalent study of the tense internal principal-agent relationship in a corporate actor.

Another argument for including power-interested and decision-making social movements can be derived from the sociology of organization and, in particular, from the "loosely coupled systems" approach (Weick 1976). This approach sensitizes us to the fact that even so-called formal organizations, often rather than being strictly and hierarchically organized often exhibit weak sub-system coordination. Many contemporary movements have much in common with this type of formal organizations. They also are composed of weakly coordinated and regulated sub-systems with their "own identity and physical and logical separateness" (Weick 1976: 3). Like these organizations, they are comprised of sub-units which aim to achieve the

same goal with different means or adopt the same means in the pursuit of slightly different goals. They also find it difficult to rely on authority, i.e. a system of positions, offices, responsibilities, opportunities, rewards and sanctions, as a coupling or coordination mechanism. However, the point is not to multiply parallels between social movements and loosely coupled formal organizations. It is only to further support the argument that these movements should not a priori be excluded from a corporate actor analysis.

If this argument is accepted, then it could be further argued that movements - just like government departments - vary in the extent to which they can represent movement interests. An ideal-typical image of a movement is that of a homogeneous membership, responsive leadership, and formal or informal structures which insure that this leadership truly represents member-interests. But, in fact, many movements deviate strongly from this ideal image and are loosely structured and heterogeneous (Flam 1991, forthcoming). For such movements a question can be posed if the representation of member-interests is possible at all, given the fact that it is difficult to define it in the first place.<sup>12</sup>

However, it could be argued first of all that, when coordination and check mechanisms are only weakly developed, the "represented" interest actually approximates the movement or member interest as understood by those leaders and groups assuming or usurping representative functions from within the movement. Second, it could be argued that both government structures which encourage specific types of political mobilization and organizational forms while discouraging others, and the actions of policy-makers who choose particular leaders and groups for negotiations and consultations while ignoring, confronting or suppressing others contribute to the selection of movement interests, i.e. to the shaping of the contents of the "represented" interest. Precisely because a movement is heterogeneous and

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<sup>12</sup> One approach equates a movement with a core cognitive basis shared by its disparate component parts (Cramer/ Eyerman/ Jamison 1987). Another looks at the shared value-systems and moral milieus (Nedelmann 1986).

coordination and check mechanisms are weak or lacking, conflicts about disparate means-and-ends schemes or about what is being represented as movement interests may neither become strong nor much affect the actions of the leaders. Mutual tolerance may exist between the component parts of the movement and since, as long as the government structures offer multiple channels of access, the felt need for common decision-making is low, lead to no intramovement conflicts (cf. March/ Simon 1958: 121; Wiesenthal 1990: 86-88).

However, just like for government departments, so for movement representatives it holds that the issue-cycle phase determines just how homogeneous the membership in fact is as well as how much it is willing to pressure the leaders to act as its representatives. Moreover, the degree of insulation of an arena determines how aware the membership is of what the leaders undertake. It could be argued that first when the issue is intensely felt (and becomes paramount among other issues advanced by a movement) and the arena is open to public scrutiny, the membership may be both willing and able to exercise pressure. Second, when scarce resources have to be allocated or joint decisions to be made, as it is often the case when the movement groups or leaders engage in interactions with the representatives of government or set up a common fund, the membership may feel both motivated to press and come into conflict with each other and the movement representatives about the contents of the "represented" interest as well as about the allocation and decision rules (cf. Simon/ March 1958: 122-123; Flam/ van der Heijden in Flam 1991, forthcoming). Given loose structuring, the only weapons the membership may have at its disposal may be the appeal to a shared set of values and participation in a common moral milieu, but one should not underestimate the power of such weapons (Nedelmann 1986).

## 2. The Emergence of Corporate Actors

The Michels' thesis directs our attention to the internal power struggles within member-created formal organizations and pinpoints internal elites as groups responsible for that member interests are not

adequately represented or that the original purposes informing the establishment of a corporation are no longer pursued. An extension of this thesis, shared by those discussing corporate interests and power, is that corporate actors seek more power because they want to realize their interests or seek power for its own sake (cf. Coleman 1974; Schneider/ Werle 1990; Aldrich 1979: 207-211, Scott 1981: 41-43, 307). In any case, these assumptions associate the acquisition of new purposes by a corporation (goal displacement) with the interest of an intracorporate elite or a bureaucratic organization in the self-maintenance.

The following case studies focus not so much on the shift in purposes (goal displacement) as on the upward transfer of powers or competences within various corporate actors.<sup>13</sup> They question the widely shared assumption that organizations always or unproblematically breed oligarchies. Instead, they point out that such upward transfer and accumulation of corporate competences can take place on a demand of rather powerless members or on an outside corporate demand or even be a completely unintended outcome of the principal-initiated upward transfer of power to the reluctant agents. By the same token, the pursuit of new corporate goals (goal displacement) can no longer be solely attributed to the presence of internal oligarchies, but rather to the development of new interests among corporate membership, outside corporate demand, or a changing environment in which old competences acquire new significance and scope.

In their turn, the counter-case studies amplify similar themes, but, in addition, they pinpoint some of the difficulties, such as principled or

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<sup>13</sup> This excludes goal displacement and new goal acquisition under external pressure which occurs without the upward transfer of competences, i.e. does not bring about an internal shift in power relations, decision-making and control functions (cf. Aldrich 1979: 14-16). This also excludes such goal shifts which an organization institutes when attempting to sustain its organizational existence or to differentiate itself from others in order to capture a new domain or new shares in a domain but which do not involve an upward transfer of competences within this organization (cf. Aldrich 1979: 211, 217, 68-69).

interest-based opposition to power centralization, attendant upon the process of the upward transfer of corporate competences both within the focal and the outside corporate actors interested in the corporatization of the focal actor. Along with the case-studies, they help to develop the thesis that, when (further) corporatization is pursued by relatively powerless corporate members, a tacit or negotiated cross-system coalition-formation is necessary in order for a successful corporatization of a focal corporate actor to take place. Such a successful coalition-formation with an outside corporate actor(s) is predicated upon the condition that the internal transformation of the focal actor does not constitute a competence threat to the outside actor(s) or that such a threat is neutralized by the shared interest in domain protection and/or regulation.

**Case-Study 1:** Corporatization on Corporate Actor Initiative through a Strong Partner Coalition-Strategy: The EC-Commission's Transformation into a Corporate Actor in the Telecommunication Policy Area.

Here we have a case where an initially weak corporate actor develops autonomous interests and, in order to create a rule regime congenial to the realization of these interests, seeks out allies and builds cross-system coalitions to achieve increased power which makes it possible to realize these interests (Schneider/ Werle 1990). The actor is the EC Commission, composed mainly of the Ministers of Industry or Economic Affairs, which in the mid-1970s became interested in creating a common European market in telecommunication and, therefore, in acquiring new competences for the EC Commission. The opponents to its further corporatization were *some* of its members and, in particular, the ministers of PTTs (postal services, telegraphs and telephones) in different European countries whose competences would be reduced to the same extent to which those of the EC Commission would be strengthened. CEPT (the European Conference of Postal and Telecommunications Administrations), providing a forum for postal and telegraph administrations interested in a cooperative rule regime leaving single PTT Ministers' national domains intact, belonged also among the corporatization opponents.

Thus, a relevant policy actor-set or actor-configuration in the telecommunication-area included those actors interested in a shared corporative rule regime which would help to facilitate the creation of a common European market, but, would entail transfers of power to the EC, i.e strengthening it as a corporate actor, on the one hand, and those interested in a shared regulative rule regime which would not intervene with national monopolies and power competences, on the other.

The point is that the focal actor - the EC Commission - some of whose members were interested in the strengthening of its position, did not know in advance where to look for potential coalition partners. Nevertheless, over time it managed to form both successive and overlapping coalitions with the EC Council, the European Court, the European Parliament, and the Heads of the States. It came to rely on their backing in a conflict against the CEPT and the individual ministers of Post and Telegraph. In any event, the Commission's "success" in turning itself into a regime-formulating corporate actor depended crucially on its ability to form both internal and across system-boundaries coalitions with the actors dominant in their domain - within the EEC (European Economic Community) and with the Heads of State. Because the coalitions across system boundaries were with the actors who in their systems had the superior authority, the Commission could in the end outmaneuver the reluctant PTT heads and the CEPT. The Commission took care, however, when possible, to coopt CEPT, as when it installed "a group of experts to develop a common strategy in cooperation with ministers of industry, postal administrations and representatives of the telecommunications industry" (Schneider/ Werle 1990: 92).

A threefold shared interest of all EC countries defines their organizational boundaries and the nature of the outsiders: to benefit from a larger European market, to defend European states against competition from equals (Japan and the U.S.), and to protect developed against developing economies (maintain prerogatives in relationship to "inferiors"). This is the structural context in which the relevant actor-configuration - the EC - is found(ed). The shared interest legitimates divesting nation-states from certain powers and vesting



them in the corporate actor EC instead. When situational opportunities arise, such as for example the U.S. telecommunication regime break-down moving the competitive threat of the AT&T (American Telephone and Telegraph Company) and the IBM to Europe, this shared interest can be activated and dramaturgically played up to legitimate further action(s) whose effect is a further power transfer from national to EC authorities. Thus, a shared interest in domain defense can neutralize the individual interests of member-states in maintaining their own competences intact and in keeping the corporate actor they had created weak - this was the key to the acquisition of new competences by the EC Commission in the telecommunication domain.

**Case-Study 2:** Corporatization as an Unintended Consequence of an Inside Demand: The Bank of England and its Stockholders in the 1870s

Corporatization, or to be more exact, the acquisition of new responsibilities, areas of competence and new instruments of control by a corporate actor, may occur as an unintended outcome and against the will of the corporate leaders. It may take place when corporate leaders agree to assume new responsibilities faced with a membership threatening to endanger the very existence of a corporate organization and/or when both operate in an ever changing, unforeseen environmental context.

From the 1844 Bank Charter Acts until its nationalization after World War I which did away with private shareholders, the Bank of England functioned as a both public and private bank with a built-in tension between its public and private roles which even the formal separation between its banking and issue departments did not alleviate (Ingham 1984: 235-239, 282). Its 1844 charter confirmed it as the monetary authority with centralized note issue in its hands, but, by tying the note issue to the gold reserves, the same charter "deliberately attempted to reduce the role of the Bank to that of the operational (as opposed to strategic) management of the monetary system" (Ingham 1984: 237).

Tying the note issue to the gold reserves under the management of the Bank made the Bank the top candidate for the role of lender of last resort. However, the private activities (and profits) of the Bank would suffer if it had to keep gold reserves rather than convert them into liquid capital and lend it at a profit (Ingham 1984: 238). Therefore, its directors refused to accept the notion that the Bank should act as lender of last resort. However, it finally reluctantly assumed this role under the City's - its stockholding members' - threat to withdraw its deposits if the directors did not accept this responsibility.

The result was that, when Britain assumed the role of a world banker to the international system, the Bank was compelled to extend both its activity scope and the areas of competence to monitor and manage not only the domestic but even the international banking and monetary system. It also had to extend its lending activities to the international system. Finally, apart from periodically restricting note issue, it had to impose deflationary measures through the manipulation of the discount rate in order to preserve first the domestic and later the international gold standard. Its representatives acted unequivocally as defenders of the international gold standard until the 1920s and 1930s; of sterling as an international reserve currency until 1958, when it became fully convertible into other currencies for non-residents; and of sterling's inflated value until 1967, when it finally became devalued for the first time. (Ingham 1984: 204-207, 239). As Ingham notes, these developments "were almost wholly unintended, and not without irony. The intention had been to create an automatic self regulating system of free money and capital markets beyond the reach of conscious direction by the state or other powerful interests", yet the result was the emergence of a powerful corporate actor (Ingham 1984: 238). Even after the renunciation of the gold standard, until this day, the Bank operates with an almost complete autonomy. Neither the City, nor the state, "not even the Treasury /has/ any control over how the Bank /manages/ its own affairs" (Ingham 1984: 282).

### **Case-Study 3: Corporatization on Outside Demand: The Swedish LO Transformation into a Corporate Actor**

Here we have a case of a successful corporatization of a mass organization under outside pressure. The causal path here again goes from articulated interests to more power but, in this case, the power is desired not for an already corporatized actor but for his opponent cum negotiation partner. The already corporatized actor believes that to realize his interests he has to cause power centralization in his opponent. The opponent - to realize his interests - finally gives in to the outside pressure, although only few of its leaders and members see corporatization as necessary. A tacit coalition between the already corporatized actor and these leaders and members makes the corporatization of the as yet uncorporatized actor possible. Again, as in the case of the EC-commission, the external threat to a domain, posed by another corporate actor - the state - which could use the conflict between domain occupants to enter and regulate it, helps to motivate corporatization opponents to opt for corporatization.

Already when The Swedish Central Employer Association (SAF) formed in 1902, it possessed power to call general lockouts, administer member fees and the special member-support-fund, and make policy decisions (Bresky et al. 1981: 23-31).<sup>14</sup> SAF also had the right to decide whether a SAF member engaged in a conflict was entitled to SAF's economic protection. Finally, it compiled a central blacklist and a worker register - SAF's members were forbidden to hire blacklisted workers and advised against hiring those who were included in a worker register.

In contrast, the outspokenly democratic Swedish Central Employee Association (LO), founded in 1898 to protect unions locked out by employers, had an intentionally decentralized power structure (Bresky et al. 1981: 26, 41; Olsson/ Burns 1987: 185). It had no mandate to

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<sup>14</sup> For example, it could decide to provide an annual contribution to an apolitical worker union (Svenska Arbetarforbundet), plan and implement anti-socialist propaganda activities in Sweden, and develop international contacts.

call or support union strike initiatives - this right remained with the individual unions. Moreover, the trade unions had the right to negotiate wages with SAF on workers' behalf and their members had the right to annul these agreements by vote. LO's role was limited to gathering statistics and providing economic support to individual unions engaged in defensive actions.

When LO and SAF met at a labor-peace conference in parliament in 1928 to discuss cooperation, Sweden was still one of the most labor-conflict-ridden Western countries, averaging 500-600 conflicts a year in the 1920s (Bresky et al. 1981: 41-47). SAF demanded that LO should acquire the same competences that SAF already had, including the right to make authorized and non-reversible agreements with SAF. SAF had an ally in, for example, The Association of Textile Workers (ATW) which shared SAF's view that centralization should replace direct democracy, albeit for different reasons. While SAF thought centralization was necessary to introduce labor peace and to imbue the LO members with a spirit of class cooperation, ATW thought that it would help in using LO as a weapon against SAF. Under SAF's pressure, the leadership of LO began considering LO's centralization, but the real impetus towards centralization came when the SD took power in 1932 and a government investigation concerned with conflicts endangering social peace concluded in 1935 that decision-making powers should be vested in LO. SAF and LO were both afraid of outside (state) regulation of the labor market, both wanted to defend their autonomy in relationship to the state. Allied against a common foe, LO and SAF started their own negotiations about measures necessary to insure peace on the labor market in 1936, in which SAF again pressed LO to centralize. From 1937 on, LO organized collective agreements with its member trade unions about wage-levels and contract-acceptance. In 1938, in addition, the well-known Saltsjobad-agreement was signed between LO and SAF which helped LO leadership to motivate why LO's charter should be reformulated and why an internal LO-investigation should look into this matter. The conclusions of the LO-investigation were presented and accepted at the LO's congress in 1941. The new mandate gave LO the right to represent workers' interests, to negotiate with SAF, and to intervene in union activities when they jeopardized the central agree-

ments. Individual unions encompassing more than 3 percent of LO members could no longer call a strike without LO's permission. Likewise, those unions which refused to accept central wage agreements risked to lose access to conflict-funds. LO, in contrast to SAF, still did not possess the right to call strikes.<sup>15</sup>

#### **Counter Case-Study 4: Resisted Corporatization on Outside Demand in the Field of German Environmental Policy**

Since the case of corporatization cum centralization on external demand has received so much attention through the neo-corporatist approach, and the transformation of movements into interest groups constitutes a virtually taken-for-granted wisdom, it is worth emphasizing perhaps that one important precondition for this kind of corporatization is the existence of a will to power - an interest within the to-be-corporatized actor in such a corporatization (Schmitter/ Lehmbruch 1978; Lowi 1971). In the Swedish LO-case just described the Association of Textile Workers, for example, formed a tacit coalition with SAF and the Social Democratic government, and, thus, helped to bring the centralization about. Even though some voices for centralization were heard within LO already years before the 1941-congress, it took a long time, and the pressure of both SAF and the Social Democratic government, before LO sacrificed its principled internal democracy for the sake of social peace and a greater effectiveness in wage-negotiations. Similarly, in the EC-Commission's case, a coalition between some PTT ministers and other EC and national

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<sup>15</sup> Similarly, the Swedish Employer Association (SAF) demanded in 1952 that the Swedish Central Employee Association (LO) act as its negotiation partner or no index agreement which unions wanted would be made (Olsson and Burns 1987:188). When the unions again tried to go back to decentralized negotiations in 1957, they achieved poor results and LO was again forced to represent the unions against their will: "SAF managed to close the ranks of its members and hold a united front against the unions, particularly ... Metal and Building ... which were somewhat opposed to central negotiations. SAF succeeded in making clear to LO and its member unions that their best alternative was to support central negotiations. This was the backdrop for the 25 years of centralized negotiations between LO and SAF for the private sector" (Olsson/ Burns 1987: 188).

actors supporting a new rule regime formed against those PTT ministers who opposed its creation. The formation of this coalition was a necessary precondition for the further corporatization of the EC-Commission.

A very good contrasting case is found in the German Bundesverband Bürgerinitiativen Umweltschutz (BBU). The BBU was created in 1972 as a national organization on the initiative of the German ministerial bureaucracy responsible for environmental questions and seeking outside allies. It unified about 1 000 local and regional groups concerned either partially or totally with environmental questions. The efforts of the German bureaucracy to strengthen and centralize this organization notwithstanding, the proponents of unification which would require the transfer of authority up to the central organization were too few and too weak to assert their interests within the BBU. Moreover, the informal structure of the BBU made any lasting cross-system coalition impossible (Schenkluhn 1990: 16-17, 26 fn 43; Rucht 1987).

The dominant coalition within the BBU is perhaps best understood as "fundamentalist" - bent on preserving decentralization, informality and independence of different "citizen initiative groups", hostile towards and mistrusting the established political institutions and, therefore, not interested in a cooperation with the representatives of these institutions. The structure of the BBU well reflected the "fundamentalist" orientation of its members. Since the BBU was an umbrella organization with only a rudimentary formal structure,<sup>16</sup> the member-organizations had no procedural rules for the selection of their representatives to the national congress (Schenkluhn 1988). They either chose the delegates to the national congress or these self-selected themselves. Moreover, these delegates could not only freely enter but also leave representative positions, so that the agreements between

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<sup>16</sup> Its constitution called for that member-groups should choose delegates to the member congress and to the work committee every year and that this congress should in turn choose BBU leaders. Even if these formal rules were strictly observed, they would not guarantee stable leadership.

them and the government representatives had no continued personal backing. Furthermore, due to the BBU's loose structure, these delegates could take initiative and act almost completely uncontrolled by the members, but when these members mobilized they could annul or question the initiatives and actions of these delegates. For the German bureaucracy the problem was that even when these delegates tried to perform representative functions and did make policy-agreements, they had neither sufficient formal authority nor the means to bind their members by these agreements. They could and only did make action course recommendations. Policies could be enforced only by the few and far apart (charismatic) delegates.

Under the outside bureaucratic pressures towards centralization, the BBU became involved in an internal conflict. It never became a centralized and corporatized coalition partner of the German bureaucracy. Some of those within it who supported the type of unification and cooperation that the German bureaucracy desired joined the Bund für Umwelt- und Naturschutz Deutschland (BUND) or other organizations, after the conflict-ridden BBU fell apart.

What this counter case-study then highlights is the importance of cross-system supporting coalitions (and some initial degree of formalization) for the emergence of corporate actors.<sup>17</sup> Moreover, it nails home the point that the pursuit of political power and internal hierarchization are necessary preconditions for the transformation of

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<sup>17</sup> Corporatization is in turn an important precondition for political conflict resolution. Interest-mediating and -integrating corporatist politics "is based on the legitimate and binding participation of peak interest organizations in the political process. It ... presupposes that peak interest organizations can assure their members' compliance with corporatist agreements ..." (Kitschelt 1982: 294). Where this precondition is lacking - as in French or British trade unions or most present-day anti-nuclear oppositional movements - and where "national headquarters have no authority over the political actions of their regional membership organizations", neither political integration nor conflict containment and resolution through (corporatist or political party) interest aggregation is possible (Kitschelt 1982: 294).

member-created organizations into (rule-regime making) corporate actors. Where the desire for power is lacking or consciously countered by a dominant group within an organization, the outside pressures on a member-created organization to turn itself into a corporate actor remain ineffective.

#### **Counter Case-Study 5: Resisted Corporatization on an Aborted Outside Demand in the Field of German Big Science**

In the case of the BBU corporatization was aborted because of internal obstacles: the principled opposition to power-holding and a weak formal structure unable to insure any continuity in leadership. In the case of the AGF,<sup>18</sup> the Work Group of Big Science Institutes, an organization founded in 1970 with the purpose of creating a discussion forum for and a political pressure group of the 13 German "big science" centers, the opposition to a stronger corporatization came from both inside the initiative-taking Ministry and the initiative-facing research centers (verbal communication by Uwe Schimank, 02/05/1990).

In the mid-1970s, the Federal Minister of Research and Technology, faced with increased financial burdens and a strong adherent of the global steering paradigm current at that time, reflected about a possibility of bestowing new competences on the AGF. He hoped that the AGF could assume redistributive functions and help both reduce and apportion research funds among the 13 big science centers. This reform-initiative came to naught for two major reasons. First, because the sections of the Ministry opposed it. Each such section conducts separate bilateral negotiations with a limited number of the 13 existing research centers. The sections feared that had they merged into one all-encompassing negotiating section, they would forfeit their autonomy and lose much control over their respective specialization domains. Second, because the largest of the 13 big science centers opposed the reform-initiative. They believed that they stood to lose the most in the suggested centralized and coordinated negotiations which would put them under a double pressure, from both the

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<sup>18</sup> Arbeitsgemeinschaft der Großforschungseinrichtungen.



Ministry and the smaller research centers, to reduce their demands for research funds. They believed that in continued bilateral negotiations their chance of competing with the other research centers for funds was better. Had the Ministry not been divided over this issue, it could have perhaps helped the smaller research centers achieve a centralized and coordinated research fund distribution, and, thus, to become a "dominant coalition" on the AGF-issue. But, since this was not the case, the largest of the 13 research centers in effect became a dominant coalition. Their views received cross-system support and, consequently, came to prevail. And, in reverse, had the research centers not been internally stratified and, therefore, more inclined to forsake competitive negotiations for the sake of solidary ones, they could have brought a concerted pressure on the reluctant sections of the Ministry and, thereby, perhaps made the Minister and his reform-initiative "a dominant coalition" within the Ministry. Since this was not the case, the Minister never formalized his reform-idea and AGF remained a rather weak corporate actor which legitimates its continued existence by providing certain services to the big science centers.

### 3. Some Routes to Corporatization

It is an accepted post-Weberian wisdom that our modern Western societies are replete with powerful formal organizations that constitute an excellent breeding ground for other powerful organizations establishing the rule regimes which order our lives. However, the "breeding process" itself is still hardly understood in terms of the actor-structure dynamics. The case-material assembled in the previous section can help to make only a modest step towards the understanding of this process. The question that I will try to answer next is what are the preconditions of a successful corporatization process - an upward transfer of decision-making rights and control functions within a member-created formal organization?

But, first of all, what I would like to suggest is that the formation of internal oligarchies pushing for further corporatization is far more problematic than it is often assumed - as the prolonged struggles

against corporatization within the Swedish LO and the German BBU, both adherents of principled internal democracy, show. And, as the case of the BBU in contrast to that of the LO shows, the formation of oligarchies and the upward transfer of competences are not a fore-gone conclusion.

Moreover, even when such an oligarchy forms and a rudimentary corporate actor may be said to exist, it may find it difficult to expand its decision-making powers and control functions.<sup>19</sup> A strategic game of the leadership for further corporatization is a precarious and contingent game, dependent on the responses of the membership and of those corporate actors with whom it interacts. When unsuccessful, the leadership ends up either rejected by its members or the outside corporate actors, or, in reverse, completely dependent on either its members or these actors.

Let me illustrate using a well-known example derived from neo-corporatist studies of industrial relations. Under conditions defined by the interacting organized actors as those of conflictual interdependence, a negotiation setting presents the union leadership with a possibility of acting as an intercorporate equal and as a mediator, who acquires power at the cost of his interaction partners - of both the union members and the employer or state representatives. Such a setting presents this mediating leadership with a strategic possibility of exploiting the *dependency* of both members and other corporate actor(s) on its mediating role by playing them against each other, and, thereby gaining autonomy for itself (Sabel 1981: 209-244; Wassenberg 1982: 87-93; Simmel 1950).<sup>20</sup>

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<sup>19</sup> This expanded capacity to act, even though it is a creation of a concrete leader group, remains a corporate attribute. Exactly like those prerogatives vested in an office are impersonal and transferable, so those vested in a corporate actor stay as a rule with this actor, even though the leadership changes. However, the change of guards may be connected to a dismantling or building up of corporate prerogatives.

<sup>20</sup> When the actor-configuration is a triad or reducible to a triad - an iron triangle in Jordan's terms, or a Swedish configuration with the State, LO and SAF, Simmel's observations on the domination

Two distinct developmental trajectories can be identified. If a leadership pursues a problem-solving strategy in the intercorporate negotiations while simultaneously staging "impression management" to convince its membership that it is engaged in a head-on confrontation, it can bring benefits to the union members without risking to lose their conflict-motivated allegiance. It is a hard to achieve mixture of covert problem-solving and overt confrontation which is required to maintain or increase the credibility of the leaders among these members.<sup>21</sup> If the negotiations are successful, the union members will be more willing to respond to the leadership's demands and to provide it with further resources - to trade off power to these leaders in exchange for the satisfaction of their power-unrelated interests, such as union recognition, or higher wages, or job security. This makes the next negotiating round easier, and facilitates the development of a virtuous cycle, wherein it becomes consecutively easier for the leadership to formulate courses of action, interests, and orientations which both partially depart from those of the members and require that more and more authority is vested in the corporate actor.<sup>22</sup>

However, if the leadership loses in strategic intercorporate negotiations, that is, cannot deliver benefits and/or stage confrontation, its credibility among these members will sink, making them less willing to back it or to vest further authority and resources in a corporate actor. This makes the next negotiating round more difficult, and facilitates a development of a vicious cycle, increasing the potential for the subordination of the leadership to either the membership or other corporate actors. In the case of such a subordination, the

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strategies, such as rule and divide, pivotal party, etc. apply.

<sup>21</sup> Such a mixture is the easiest to achieve if both insulated (conference rooms) and exposed arenas (mass media) are simultaneously engaged.

<sup>22</sup> Indeed, it could be argued that it is in the power interest of the mediator to forever formulate and identify interests which can be seen as conflictual by the interdependent parties, since the necessity for a mediator arises only in the context of interdependent parties facing conflictual interests.

corporate actor per se may still have some authority and resources, but the leadership is only able to utilize them to take care of the interests of either the membership or of other corporate actors. The loss of credibility also makes it difficult for the leadership to expand further corporate actor prerogatives.

The point is that only when a "virtuous negotiation cycle" develops, the leadership can resist the power claims and interest-formulations of the members by using (economic or legal) resources acquired from other corporate actors, and, to resist those of other corporate actors by using/mobilizing the resources provided by the members, thus slowly building up corporate power. This pattern has been attributed to the Swedish industrial relations in the post-World War II period. In contrast, British, Italian and French industrial relations reflect rather a vicious negotiation cycle. The union leaders in these countries have been unable to establish centralized unions as viable corporate actors.

Thirdly, not the oligarchies or relatively privileged, but the relatively powerless and privilegeless members may develop an interest in and push for corporatization. Measured by any standards, the Swedish textile worker unions, the Ministers interested in a further corporatization of the EC-Commission, the realists within the German BBU, or the smaller among the 13 big science centers did not qualify as power-hungry elites at the time when corporatization was an issue. Yet they were the actors with the most interest in corporatization. And, interestingly enough, in two cases, that of the Swedish LO and the EC-Commission, such relatively powerless members indeed managed to push through further corporatization of the organizations to which they belonged. The key argument is that they could do so because they received support from outside powerful corporate actors. It was the outside support that changed the status of what was a subordinated coalition on the corporatization issue into a dominant coalition on the same issue. In both instances, moreover, there was an apparent threat to the domain in which the as yet weakly corporatized actor pursued its purposes. This threat activated a set of shared interests in domain protection which neutralized those in the protection of interindividual status and power differences.

At the risk of elaborating the obvious, let me systematically consider the contribution of the outsider - the third - to the corporatization process. Only when the third is powerful and united in support of corporatization of another organization at the same time that the dominant interest coalition within a split organization is both well-rooted and in favor of corporatization, corporatization has a good chance of taking place and stabilizing. In contrast, corporatization is rather unstable and may be reversed in three other situations: a) when the powerful third and a subordinated coalition within an organization support it against the will of the dominant coalition; b) when a subordinated coalition within the powerful third and a dominant coalition within an organization support its corporatization against the will of a dominant coalition within the powerful third; c) when a subordinated coalition within the powerful third and a subordinated coalition within an organization strive for corporatization against the will of their respective dominant coalitions. Logically, all four routes to corporatization with outside support are possible, but only the first guarantees the emergence of a stable corporate actor.

When corporatization is understood as predicated upon successful cross-system coalition formation, the question of who initiated it - actors internal or external to the focal corporate actor - recedes somewhat in importance. Nevertheless, it should be briefly noted that the observation that corporatization often occurs on external demand is interesting in itself as it complements the Michels' thesis. Schmitter postulated one such external route to corporatization and one major incorporating actor - the state - in the context of his polemics against pluralists (Schmitter/ Lehmbruch 1978; Schmitter/ Streeck 1981).<sup>23</sup> What can be emphasized here is that not only the state or its agen-

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<sup>23</sup> Aldrich, summarizing research in the field of organizational sociology, pointed out accommodation with officials in the target organizations and coalitions with other organizations seeking similar objectives as the two strategies the leaders of a member-based organizations may use to justify shift in purposes and to maintain their own power positions (Aldrich 1979: 209). These two strategies, however, are seen as crucial for power-maintenance and not for an upward transfer of competences.

cies, but also other powerful corporate actors or actor coalitions, including employer organizations, such as SAF, or powerful corporate actors within the EC, are capable of contributing to the lateral creation of corporate actors in their domain (cf. Aldrich 1979: 69). This lateral route to corporatization should be clearly distinguished from that from above instituted by the state and that from below which involves states, firms, organizations or individuals as corporation-creating members (cf. Carney 1987; Kenis/ Schneider 1987; Schneider/ Werle 1990).<sup>24</sup>

### 3.1 Some Reasons and Preconditions for "Bottom-Up" and "Lateral" Corporatization

Among the most frequently listed reasons for bottom-up, top-down and lateral corporatization we find interest interdependence, domain defense, domain expansion, domain regulation, and conflict resolution through recourse to negotiations. In the LO- and SAF-case of lateral corporatization, both domain protection against the state and its (peaceful) regulation through negotiations was at stake. In the case of the EC-Commission's bottom-up corporatization, domain protection against the US but even its regulation were the issues. Finally, only domain regulation was at stake in the case of the Ministry of Environment and the BBU and the Ministry for Research and Technology and the AGF - both exemplifying lateral corporatization.

A few generalizations can also be made about the preconditions which have to be met in order for a successful lateral corporatization which presupposes bottom-up corporatization to occur. *Outside* support for such a corporatization is hard to find when it implies a threat to the existing office-competences, as the case the Ministry of Research and Technology show. Faced with such an external opposition, the focal embryonic corporate actor - the AGF - found it hard

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<sup>24</sup> In theory, bottom-up, top-down and sideways-across routes to corporatization and their mixtures are all possible. See Hood's work on quangos where these three creation modes are distinguished in Hood 1986.

to acquire new competences. *Inside* support for upward transfer of competences is hard to realize when it threatens to erode internal stratification (LO, the 13 "big science" centers) or when it implies the erosion of competences of the meso- or local-level staff and/or of member prerogatives (PTT Ministers, LO, BBU).<sup>25</sup>

Another important obstacle to both bottom-up and lateral corporatization is the presence of alternative routes of goal realization by the membership forming a corporate actor (cf. Kenis/ Schneider 1987). When the stratified or differentiated members of a focal corporate actor are under an outside pressure to transfer competences upwards, the members who can realize their interests on an individual basis are in a position to ignore this pressure.<sup>26</sup> The case in point is this of the 13 big science centers. The biggest believed that they stood to benefit more from the old bilateral than from the planned coordinated negotiations. They, therefore, resisted the corporatization of the AGF. Similarly, whenever the splits within SAF and conducive market conditions permitted, the most powerful of the LO unions have tried to break away from the centralized negotiations, showing where one of the weak points of this corporate actor is.<sup>27</sup> But even when the membership is relatively homogeneous in terms of its demands, the presence of alternatives to corporatization as a viable means of interest realization, makes it reluctant to opt for corporatization. The case in point is that of the BBU. Its member organizations engaged in their regular civic and political activities in their respective localities and on that level could achieve some of their goals. They were

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<sup>25</sup> The case of the EC shows that the resistance of some of the members to the upward transfer of competences can be overcome by an appeal to and the pressure exercised by their superordinates. But, the case of the German Federal Ministry of Research and Technology implies that these superordinates may refrain from applying such pressure when their subordinates are united in their opposition and, proportionately, raise the costs of overcoming their opposition.

<sup>26</sup> In the case of a firm, an alternative to concerted action with other firms is to rely on the own amassed resources for individual competition or on own offensive strategies against the domain encroacher (Carney 1987).

<sup>27</sup> See note 15 on such failed attempts.

not exclusively dependent on the national umbrella organization for goal-realization because the federal state structure provided them with alternative negotiation and political influence channels. In sum, even when corporatization is not resisted inside an embryonic corporate actor for principled or domain-protecting reasons, but the membership sees some of its interests better realized on an individual and others on a corporate basis and where the alternatives are not foreclosed, the corporatization process may be initiated but never fully completed (cf. Kenis/ Schneider 1987). The membership continues to pursue its interests standing on two feet - the individual and the corporate, never fully loyal and never quite motivated to take the exit option.

The internal resistance to corporatization may be overcome if the outside actor constellation both closes ranks and forecloses alternatives, making it very costly for the individual members of the focal corporate actor not to go along with (further) corporatization (SAF vs. LO). Foreclosing of the alternatives by an external actor constitutes a functional equivalent of the capacity of an organization to 1) abolish the exit option (compulsory membership, high exit costs) or 2) establish itself as a monopolistic benefit provider or 3) convert privately accessible goods into joint goods access to which requires concerted action (Hechter 1977). The foreclosing of alternatives is possible when the outside actor constellation can turn itself into a corporate actor (as in the case of SAF) or form a tight coalition. However, when the incentives are modest and the costs very high - as in the case of the German Federal Ministry of Research and Technology - or when the reform of the entire political system would be necessary, as in the case of the BBU, where a unitary rather than a federal German State would have meant foreclosed alternatives, this route to corporatization of a focal actor is impossible.

Although the case studies at hand are insufficient to develop more than some incomplete generalizations about different preconditions of corporatization,<sup>28</sup> they can be rounded off with the aid of the

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<sup>28</sup> Note that all three of the below listed routes do not involve resource-dependence on an outside actor (the state) which the Schmitter-Streeck route to corporatization involves (Schmitter/ Streeck 1981:



already existing theories concerning the preconditions for corporate solidarity, collective action, and internal coalition-building (Hechter 1977; Olson 1965; Scott 1981). *The theory of corporate solidarity* tells us that among self-interested individuals it can be best achieved when these share dependence on each other for joint goods. When, as is the most often the case, such dependence is not shared in all respects (i.e. it is unequally distributed among the heterogeneous membership), those less privileged and relatively powerless will be more interested in (further) corporatization, and will have to overcome the resistance of their more fortunate fellow-members. However, if they utilize a threat to their domain to activate a set of latent, shared interests in domain protection, i.e. manage to demonstrate a case of interdependence for goal realization, they stand a chance of persuading even the more powerful and privileged members to go along with corporatization (Kenis/ Schneider 1987; Schneider/ Werle 1990). *The theory of collective action*, in its turn suggests, that those interested in corporatization would gain support for it from their reluctant fellow-members if they provided them with selective incentives - created new types of stratification or differentiation or new meso-level competences - compensating for the loss of the powers lost to the corporate actor. This may, but need not, require the extraction of further resources from the organization or its environment. However, in the presence of a threat to a domain and of foreclosed alternatives, the pressure to provide such compensatory selective incentives to the reluctant members completely disappears. This is so since the domain threat constitutes a new source of solidarity and the foreclosed alternatives make impossible the exit option. Finally, *the dominant coalition theory* implies, that those interested in corporatization could achieve it if they exchanged corporatization in the area in which they were less privileged and powerful for corporatization in the area in which they were more privileged and powerful. This last route to corporatization, since it can cause a spiral of exchanges, is particularly conducive to a piecemeal but steady upward transfer of competences to the corporate actor. Of these three routes to corporatization, this implicating a domain threat and that implicating internal

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129-132) Nor do they depend on the outside actor's (the state's) ability to make membership contributions obligatory.

trade-offs most clearly do not depend on external support in any form, while the route combining foreclosed alternatives with a domain threat depends on the cooperation of the external actor(s) willing to take action resulting in foreclosed alternatives. None of the three routes to corporatization (through an activated domain threat, domain threat in combination with foreclosed alternatives, and/or internal exchanges) necessarily calls for the organization to extract new resources from its environment.

#### 4. Corporate Capacity to Act and Corporate Power

So far I have focused on the different routes and obstacles to corporatization. In this last section, the focus is on the interplay between corporate capacity to act, affected by variations in internal structures, and corporate power, affected by corporate interactions. After considering some obstacles to goal realization that different corporate actors encounter in their interactions with external actors, the section returns to the focal topic and briefly analyzes the contribution of these external actors to further corporatization and de-corporatization.

##### 4.1 Corporate Structure and Capacity to Act

By the corporate actor capacity to act I understand its ability to make and implement decisions. This ability is in turn predicated upon its internal structures and dynamics. In the following table, major factors, the location of power and resources, which influence the decision-making and implementation processes, and together constitute a corporate actor capacity to act, are presented. The table pinpoints the sources of internal tension and weakness affecting the overall capacity to act in three different types of corporate actors; hierarchical (H), coalition-dependent (CD), and loosely coupled (LC) (Rogers/ Whetten 1982; Scott 1981; Weick 1976) . These three types of corporate actors can be said to constitute a corporatization continuum moving from complete corporatization (H) (interest-generating functions only) through medium corporatization (CD) (both interest-generating and

interest-representing functions) to a modicum of corporatization (LC) (representative functions only).

**Table 1:** Corporate Capacity to Act and Its Major Tension-Sources in Three Corporate Actor Types

	Hierarchical	Coalition-Dependent	Loosely-Coupled
Power	office	coalition/office	function
Resources	office	office	members/units
Decision-Making	efficient	stalemate-prone	annulment-prone
Implementation	friction-bound	friction-prone	inefficient

The internal tension within hierarchical corporate actors, such as an ideal-typical firm or bureaucracy, is between the decision-makers and the in principle powerless implementing staff. This tension may compromise its efficient decision-making and instant resource-availability by slow-downs, friction, and deviations from the professed goals accompanying the implementation process. Within coordinated, but decentralized corporate actors, such as most trade-unions and political parties, but also some international organizations, there is a tension-potential inherent in the fact that political power is built from scratch through coalition-formation, while the resources and formal decision-making powers are vested in an office. The access to the resources and formal decision-making rights vested in an office is predicated upon the process of issue-focused coalition-formation which generates a dominant coalition. The weakness of this type of corporate actor lies therein that the decision-making and resource-securing processes are interconnected, and, therefore, prone to stale-

mates. Since not only goal-definition but also the internal power relations (access to resources and formal decision-making rights) are at stake, the emergence of a dominant coalition on a given issue is time- and energy-consuming and necessarily involves goal-redefinition to partially accommodate the internal opposition. It also involves trade-offs, payoffs, and exclusion strategies marginalizing what in effect becomes a subordinated coalition. To that extent to which the dominant coalition has been successful in marginalizing and accommodating the interests of the opposing coalitions, the implementation is frictionless. In loosely coupled systems (and movements) power is vested in the representative function, but (both financial and action) resources remain in units or members. The weakness of this type of corporate actor lies therein that the resource-controlling members or units may annul rather than ratify the decisions made single-handedly by those assuming or usurping representative functions, making for decision-reversals. Its second weakness is its very loose coupling and weakly developed formal structures which, even if decisions were indeed ratified, slows and hinders the coordination-dependent implementation process to a considerable extent.

In sum, organizational structures seriously affect corporate capacity to act. Contrary to the widely accepted notions, however, it is impossible to posit a simple positive relationship between a high level of centralization and a high level of corporate capacity to act. This is so because capacity to act includes two dimensions - decision-making and implementation - which stand in reverse relationship to each other. The more centralized and effective decision-making is (*ceteris paribus*), the more likely it is that the excluded implementing staff in a bureaucracy or a membership in a coalition-dependent organization or a movement, may slow down or sabotage the implementation process. That is why a coalition-dependent corporate actor which is not very centralized or effective in its decision-making, since it takes a long time to build a broad dominant coalition, may actually be more effective in the implementation phase than a hierarchical corporate actor which makes an efficient, but an unpopular or controversial decision. Similarly, a few movement leaders may be as efficient in decision-making as a hierarchical top, but when it comes to the implementation process, the hierarchy, even given internal

friction and resistance, will be more effective than a, even most supportive of its leaders, loosely coupled organization or movement.

#### 4.2 Corporate Interactions and Corporate Power

In the previous section I focused on internal corporate structure - its locus of power and resources - as a precondition for a corporate capacity to make and implement decisions. Now I turn to the influence that external corporate actors exert on corporate power, understood as corporate ability to realize interests even against an opposition. In this section it is taken for granted that a corporate actor has emerged and is endowed with some decision-making and implementation capacities. The key question is how another corporate actor affects a focal corporate actor's power to realize its interests. The thesis is that the corporate structures of two interacting corporate actors determine to a large extent not only the interaction mode between these two actors but also a focal corporate actor's power - the ability to realize its interests even against external resistance.

As above, in a crude manner, corporate actors can be divided into (H), (CD) and (LC). The (H)(H) interaction combination generates the least chaos and the most predictability in decision-making. Goal-realization in such an actor configuration is an outcome of bargaining and attendant strategic games. Success in bargaining and strategy virtually guarantees the ability to realize corporate interests, although problems may arise on the friction-bound implementation side. In contrast to the (H)(H) combination, the combination (CD)(CD) defies the application of a rational choice model, but approximates the garbage can model. It produces chaos and unpredictability, even decision-making paralysis, to the extent to which the shifting of dominant coalitions within the two interacting corporate actors is not in any way constrained. Nevertheless, this type of chaos and unpredictability can be partially comprehended: conflicts and "problems are worked upon ... but choices are made only when the shifting combinations of problems, solutions, and decision makers happen to make action possible" (Cohen/ March/ Olsen 1972: 17) On the implementation side, the focal corporate actor can expect friction and resistance

to the extent to which either it or its opponent failed to ground the decisions to be implemented in their respective organizations. The most chaos and unpredictability, even non-action, can be expected from an (LC)(LC) combination: even when decisions (agreements) are made, they can be reversed by either the focal (LC) actor or its (LC) opponent, and effective interest realization - implementation - remains always problematic because of weak enforcing formal structures on both sides.

It is interesting to note that even the structurally most capable corporate actor - hierarchical<sup>29</sup> - is very likely to find its ability to realize its interests impeded when compelled to interact with non-hierarchical actors, even when these support its interests (cf. Rogers and Whetten 1982). In an interaction with a (CD) actor, the ability to realize (H) actor's interests depends in the short-run on the (CD) dominant coalition - whether or not its resistance can be overcome, but also on how well-rooted in its organization this coalition is. If it is not well-rooted, implementation problems may arise. However, the source of unpredictability in this type of actor configuration is that in the long run a (CD) actor produces a new dominant coalition, in which case, a new time-consuming round of negotiations and decision-making has to start again. The more unstable the (CD) actor, the more frequent uncertainties about its interests and implementation capacities are and the more frequent the need to re-open the information-gathering phase and the negotiations. In the interaction with an (LC) actor, decision-reversals within and weak implementation capacity of an (LC) actor are the greatest impediment to goal-realization on the part of an (H) actor. Even if an (H) actor manages to overcome the resistance of and form agreements with an (LC) actor, it is still far from goal-realization since the implementation process is slow and problematic.

Now, the crucial point is that the difficulties encountered in dealing with non-hierarchical corporate actors can be lessened through *restructuring* of corporate actors. If an (H) corporate actor possesses

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<sup>29</sup> But also (CD) and (LC) actors would encounter similar difficulties.

necessary resources (organizational slack), it may seek to stabilize a (CD) and to centralize an (LC) actor as a means to its own goal-realization. Alternatively, it may expand and differentiate parts of its own organization (adopt a multi-divisional or loosely coupled form) to lessen the negative impact attendant a prolonged inability to realize some of its interests (cf. Wiesenthal 1989: 87-89).

This brief mixed-actor interaction analysis thus suggests that the nonhierarchical corporate actors, with uneven or slow capacity to act, are an obstacle to hierarchical actor's goal realization. An (H) actor interacting with such non-hierarchical actors is very likely to find it impossible to realize its interests unless it manages to affect the restructuring of its interaction partner or restructures and differentiates itself. In the case of corporate restructuring of one's interaction partner, we deal with lateral corporatization on "outside demand" already touched upon earlier. In the case of self-restructuring, we deal with "de-corporatization" - an entirely new topic, beyond the scope of this paper. In either case, the main point is that upward or downward transfer of decision-making rights and control functions within a corporate actor is a recurring process, stimulated by interactions with other corporate actors which impede interest realization. Through this process, the original distribution of decision-making rights and control functions within a corporate actor is modified and this actor is also freed to some extent from the "genetic code" imprinted on the original corporate organization by its creators. In this way, corporate interactions as such contribute to corporate transformations.

## 5. Conclusion

The first part of this paper argued for a strict concept of corporate actors including such dimensions as formal constitution, real membership, interest representation and member-independent corporate interest generation, and, finally, rule regime making. However, it also made a case for the inclusion of such organized actors which possess

only an informal constitution and/or only a "presumed" membership in the category of corporate actors.

The second part of the paper, dealing with the genesis of member-created corporate actors and taking departure from the Michels' thesis, pinpointed the contribution of relatively powerless members, supported by external corporate actors, to the corporatization process, but also some of the obstacles found on its way. It also drew attention to three distinct routes to member-activated or -aided corporatization (through a domain threat activating latent sources of solidarity, domain threat combined with nonexistent exit option, and, finally, an internal exchange pattern) to account for corporatization independent of the corporate capacity to extract resources from its environment. Only the second of these routes involved a supportive external actor willing to foreclose alternative interest-realization means and, thereby, to set up conditions conducive to (further) corporatization.

The third part focused on corporate structures as determinants of corporate interaction modes and differential ability to realize corporate goals. It also dealt with interactions as determinants of the corporate ability to realize interests, but also of further corporatization and decorporatization. It argued that hierarchical actors interacting with non-hierarchical actors, making their goal realization difficult, may use organizational slack to transform either their own structures or that of their interaction partners.

Among the most frequently cited reasons for the upward transfer of decision-making rights and control functions within a corporation, i.e. for the genesis of a corporate actor, are oligarchical or bureaucratic interests in power and interest interdependence among the potential or actual organization members, in particular, for domain defense, expansion or regulation (including conflict resolution). This paper has argued that the formation of oligarchies is far more problematic than it is usually assumed and that organization leaders making a bid for power often lose in a precarious game they play against both the organization membership and the corporate actors against whom they represent this membership. Moreover, it pointed out that a corporatization process also may be accomplished by four different cross-



organizational coalitions. In particular, it stressed that even the less privileged organization members when aided by outside corporate actors interested in neutralizing obstacles to their own goal-realization can both initiate and achieve a successful (simultaneously bottom-up and lateral) corporatization process. Finally, a corporate actor may emerge unintentionally as its old competences acquire a new meaning and scope in the changing environmental circumstances. In sum, corporatization can be bottom-up, lateral, top-down, unintentional or mixed.

Keeping all the routes to corporatization in mind, one can say that corporate capacity to act is very specific insofar as it goes far beyond actor-generated goal pursuit. It includes not only decision-making and implementation, but also a restructuring capacity - a capacity to create, destroy, and block the emergence of corporate actors in one's own organization but also in others.

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